

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

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Pottberg, Gassman & Hoffman, Chtd.

INDEPENDENT AUDITORS' REPORT

Board of Directors
North Central Kansas Regional Juvenile Detention Facility
Junction City, Kansas

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash balances of the North Central Kansas Regional Juvenile Detention Facility (Facility), as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Facility to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the 'Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles' paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility, as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended. Further, the Facility has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

Opinion on the Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Facility as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of receipts and expenditures-actual and budget, (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole on the basis of accounting described in Note 1.

The 2011 Actual column presented in the schedule of receipts and expenditures-actual and budget (Regulatory-Required Supplementary information as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated April 9, 2012. The 2011 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such statement to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects to the 2011 financial statement as a whole.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chtd.
Junction City, Kansas
March 11, 2013

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	\$ 543,546	\$ -	\$ 854,603	\$ 850,960	\$ 547,189	921	\$ 548,110
Total Reporting Entity	<u>\$ 543,546</u>	<u>\$ -</u>	<u>\$ 854,603</u>	<u>\$ 850,960</u>	<u>\$ 547,189</u>	<u>\$ 921</u>	<u>\$ 548,110</u>
Composition of Cash:				Checking Account Certificates of Deposit			\$ 347,598
				Total Reporting Entity			<u>200,512</u>
							<u>\$ 548,110</u>

The notes to the financial statement are an integral part of this statement.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The North Central Kansas Regional Juvenile Detention Facility (Facility) is a jointly governed organization created as a separate legal entity on November 23, 1992. The Facility, located in Junction City, Kansas, was organized by its members to provide a detention facility for juvenile offenders. The governing body of the facility is composed of member county representatives. The member counties are Geary, Riley, Dickinson, Marion, Morris, Cloud, Mitchell, Republic, Lincoln, Jewell, Washington, Marshall, Pottawatomie and Ottawa.

The accounting and reporting policies of the Facility relating to the financial statement and the fund and account groups included in the accompanying supplemental information conform to the cash basis laws of the State of Kansas. The more significant accounting policies of the Facility are described below.

B. Fund Accounting

The Facility uses a Governmental fund to account for its financial activity.

Governmental Fund Types:

General Fund –

The General Fund is the operating fund of the Facility. This fund is used to account for all financial resources and is therefore, unrestricted. All expenditures of the Facility are paid from the General Fund.

C. Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The facility has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the facility to use the regulatory basis of accounting.

D. Budgetary Control

The Facility's interlocal cooperation agreement establishes the fiscal year as the twelve-month period beginning January 1. The Facility's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the facility to prepare or submit a legal budget.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 1. Summary of Significant Accounting Policies (continued)

D. Budgetary Control (continued)

Spending, which is not subject to the legal budget requirement, is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual cash receipts and expenditures and budget amounts is presented on the Schedule of Receipts and Expenditures – Actual and Budget in the supplementary information.

E. Use of Estimates

The preparation of the financial statement in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Compensated Absences

The Facility's policy is to recognize the costs of compensated absences when actually paid.

The Facility's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
One or Less	0.75 days/mo.	9 days
1 to 10	1.25 days/mo.	20 days
10 to 15	1.50 days/mo.	24 days
Over 15	2.00 days/mo.	30 days

Vacation leave is earned by the month. Upon termination of employment an employee is entitled to pay for unused accrued vacation leave. The facility estimates the dollar amount of accrued vacation at December 31, 2012 at \$20,258.

Employees with one year or less of service are allowed one half day per month of sick leave with a maximum accrual of six days. Employees with more than one year of service are allowed one day of sick leave per month of employment and may accumulate up to 90 days of unused sick leave. Upon termination accumulated sick days are lost and no payment is made to the employee.

Note 2. Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Facility. The statute requires banks eligible to hold the Facility's funds have a main or branch bank in the county in which the Facility is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Facility has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Facility's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Facility has no investment policy that would further limit its investment choices.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 2. Deposits (continued)

Concentration of credit risk. State statutes place no limit on the amount the Facility may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. State statutes require the Facility's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Facility has no designated "peak periods." All deposits were legally secured at December 31, 2012.

At December 31, 2012, the carrying amount of the Facility's deposits was \$548,110 and the bank balance was \$548,862. The bank balance was held by two banks resulting in concentration of credit risk. Of the bank balance, \$450,512 was covered by federal depository insurance and \$98,350 was collateralized with securities held by the pledging financial institutions' agents in the Facility's name.

Note 3. Defined Benefit Pension Plan

Plan Description

The Facility participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Note 4. 2011 Financial Data

The amounts shown for 2011 on Schedule 1 located in the supplementary information are included where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Rounding variances may also exist between amounts reported for the 2011 calendar year in this supplementary schedule and the amounts reported in the 2011 audited financial statement and supplementary schedule. The 2011 financial statement, our accompanying report and the supplementary schedule are not presented herein, but are available in electronic form from the

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 4. 2011 Financial Data (continued)

website of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link: <http://da.ks.gov/ar/muniserv/>.

Note 5. Litigation

There were no legal actions involving the Facility as of December 31, 2012.

Note 6. Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Facility has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

Note 7. Subsequent Events

The Facility evaluated subsequent events through March 11, 2013, the date in which the financial statement was available to be issued.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>		Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Over (Under)
<u>GENERAL FUND</u>				
Cash Receipts:				
State and County Payments	\$ 1,037,924	853,890	881,500	(27,610)
Interest	545	713	-	713
Total Cash Receipts	<u>1,038,469</u>	<u>854,603</u>	<u>881,500</u>	<u>(26,897)</u>
Expenditures:				
Advertising, Dues and Subscriptions	2,122	2,903	2,000	903
Accounting	11,765	11,570	11,000	570
Legal	5,812	9,362	7,500	1,862
General Supplies	17,793	16,665	18,000	(1,335)
Insurance - Property and Other	18,829	20,325	25,000	(4,675)
Insurance - Workers Comp	14,691	11,983	16,000	(4,017)
Food Service	42,558	48,296	45,000	3,296
Utilities	25,938	27,404	30,000	(2,596)
Telephone	5,975	4,768	6,000	(1,232)
Postage	2,120	1,388	2,000	(612)
Resident Medical / Miscellaneous	2,579	13,190	3,000	10,190
Payroll Taxes	60,351	39,352	66,000	(26,648)
Payroll	493,864	474,681	490,000	(15,319)
Repairs and Maintenance	43,387	51,329	18,000	33,329
Reimbursed Medical	175	471	2,000	(1,529)
Reimbursements to Agencies	-	3,431	-	3,431
Capital Outlay	30,155	3,409	4,000	(591)
Staff Training and Travel	4,175	6,333	6,000	333
KPERS Employer Contribution	37,014	38,553	40,000	(1,447)
Insurance - Medical	61,932	53,173	80,000	(26,827)
Uniform Rentals	10,861	12,374	10,000	2,374
Total Expenditures	<u>892,096</u>	<u>850,960</u>	<u>881,500</u>	<u>(30,540)</u>
Receipts Over (Under) Expenditures	146,373	3,643		
Unencumbered Cash, January 1	<u>397,173</u>	<u>543,546</u>		
Unencumbered Cash, December 31	<u>\$ 543,546</u>	<u>547,189</u>		